United Policyholders
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Insurance premiums could surge in these American cities because of climate disasters, new data shows

WENY News

Millions of American homeowners could see insurance rates surge in the coming years in part due to worsening climate disasters, new data shows.

An analysis of from nonprofit research group First Street Foundation found nearly 39 million homes and commercial properties – about 27% of properties in the Lower 48 – are at risk of their premiums spiking as insurers struggle to cover the increasing cost of rebuilding after disasters.

It's another alarming sign for the future of America's homeowners' insurance market. In the last few years, major insurers have pulled out of or stopped writing new policies in California, Florida and Louisiana – in part citing increased climate risks like more destructive wildfires and stronger hurricanes.

But while insurance prices have already surged in those states, First Street found it's still growing in other places we think of as less risky.

"This is not just isolated to particular areas of the country, but also will impact other areas that we traditionally might not think of," said David Jones, the former California insurance commissioner and director of the Climate Risk Initiative at UC Berkeley's Center for Law, Energy and the Environment, who was not involved in the analysis.

The insurance industry is only just beginning to price the cost of climate change into its premiums, said Jeremy Porter, the head of climate implications at First Street and one of the report's lead authors.

Source:
https://uphelp.org/insurance-premiums-could-surge-in-these-american-cities-because-of-climate-disasters-new-data-shows-2/
Date: December 23, 2024

“We’re still kind of at the forefront of the insurance industry pricing in climate risk into the real estate market,” Porter told CNN. “The insurance companies are going to continue to respond to the increasing climate damages.”

For homeowners, this also means fewer choices between companies as private insurers pull out of high-risk areas or restrict coverage.

Nearly 7 million properties, almost 1 in 20 buildings, have already experienced price surges or have been dropped by insurance companies, First Street found. The majority of those properties are located either in wildfire and flood-prone California, or hurricane-prone Florida, Louisiana and Texas.

But this problem is growing nationwide. Jones pointed to recent extreme flooding that inundated Vermont this summer – dumping up to 9 inches in some parts of the state over two days and submerging the state’s capital of Montpelier. Kentucky and West Virginia have been struck with deadly and costly flooding from massive rainstorms that combined with steep terrain to overwhelm small streams and creeks.

“It’s hard to identify a part of the country that that’s not impacted or won’t be impacted,” Jones told CNN. “And it’s only going to get worse.”

Surging premiums
Every property in more than 1 in 10 American cities is at risk of premium spikes because of climate disasters, according to an analysis of the First Street data. These include places in states where insurers have already started to pull out, including Miami, Jacksonville and New Orleans.

Outside of California, Florida and Louisiana, there are also cities where all properties are vulnerable to sudden price adjustments, mainly along the East Coast where hurricane risk is high and sea level is rising, the data shows – including Atlantic City, New Jersey; Virginia Beach and Norfolk, Virginia; Wilmington, North Carolina; Charleston, South Carolina; and Savannah, Georgia.

Premiums are at risk of surging to a lesser extent in cities across the country, First Street data shows.

Properties in 4 out of 5 cities in the Lower 48 are vulnerable to rate hikes, including more than 25% of

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properties in New York City and Phoenix. In the Midwest, up to a fifth of homes in Chicago, Pittsburgh, Louisville and Cincinnati – susceptible to flooding rain and strong winds – are also at risk of premium adjustments. And on the West Coast, nearly all of Riverside, California, and a fifth of Los Angeles could see premiums spike.

Even if these homes are not yet on the state-run insurer of last-resort – to which they typically pay higher premiums for a policy that covers less, "they have the same risk profile," Porter said.

While this dynamic is just starting in the private insurance market, the price shocks already came for homeowners in the federal government's flood insurance program. Premiums on federal flood insurance – known as the National Flood Insurance Program – increased significantly starting in 2021 as the federal government adjusted for the cost of stronger storms.

The most flood-prone areas of Gulf Coast states are set to get hit with rate increases especially hard as the plan is implemented over the next several years; in Plaquemines Parish, Louisiana, FEMA data shows its insurance premiums would go up 545% — from $842 to $5,431 per year. In Collier County, Florida – which was struck by Hurricane Ian last year – the increase was expected to be from around $1,050 per year to nearly $4,000.

Implications beyond the insurance market
The math isn't working for some homeowners who have seen their premiums skyrocket.

"When you see this huge spike – doubling, tripling, quadrupling of your insurance rate – all of a sudden those finances don't make sense to regular people," he said.

Faced with higher premiums, some homeowners who don't carry a mortgage are choosing to forgo insurance altogether – leaving them unprotected if a disaster hits, said Amy Bach, the executive director at United Policyholders, an insurance consumer-advocacy group.

It's hard to know exactly how many homeowners are choosing to "go bare" without insurance, Bach said, because she believes many aren't willing to self-report their choice. But her work with homeowners gives her a window into peoples' decisions.

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“I know where the places are where people are dropping their insurance — it’s Florida, Louisiana, California and Colorado,” Bach told CNN. “And soon there’s going to be other places, because this is a national virus.”

Jones and Porter said there are larger economic implications down the road, when homeowners who have taken a higher premium try to sell their house and find they are short of buyers.

Jones said in parts of California that are prone to wildfires, there is already evidence that the lack of affordable insurance is impacting home prices.

“It stands to reason that if you’re a homebuyer, you’re going to ask the question, what’s it going to cost me to insure this place, and can I get insurance?” Jones said.

If the answer is insurance is really expensive and hard to get, “then homebuyers are saying, ‘I’m not going to pay as much for this house, because it’s simply not worth as much.’”

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